

Washington State Health Care Authority

**Benefits Administration / Insurance
Accounting System Project
QUALITY ASSURANCE**

Baseline Report
March 1, 2006



**STERLING
ASSOCIATES, LLP**

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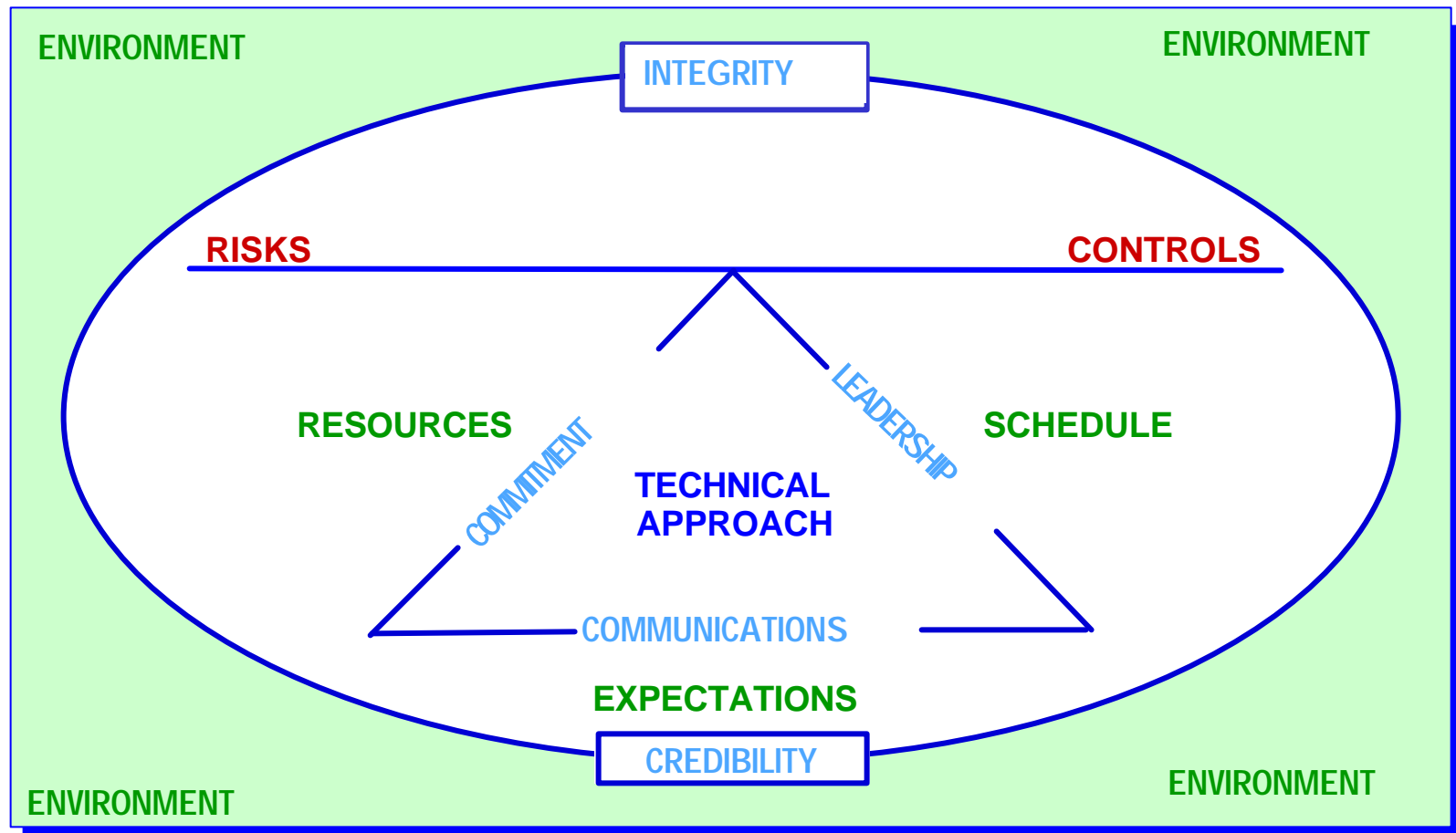
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Scope of Quality Assurance Review

- ◆ In January 2006, the Washington State Health Care Authority (HCA) retained Sterling Associates, LLP to provide Quality Assurance (QA) services for the Benefits Administration / Insurance Accounting System (BAIAS) project. This report contains the results of our baseline review.
 - The baseline report provides an overview of the role of Quality Assurance and describes the methodology Sterling Associates uses to identify project barriers to success and risk mitigation strategies.
 - This report also summarizes our Quality Assurance findings and project recommendations.
- ◆ This report is organized around Sterling Associates' Quality Assurance framework which includes 12 elements illustrated on pages 3 through 5 and discussed on pages 6 through 7. These elements include:
 - Environment
 - Expectations
 - Approach
 - Schedule
 - Resources
 - Communication
 - Leadership
 - Commitment
 - Risks
 - Controls
 - Integrity
 - Credibility

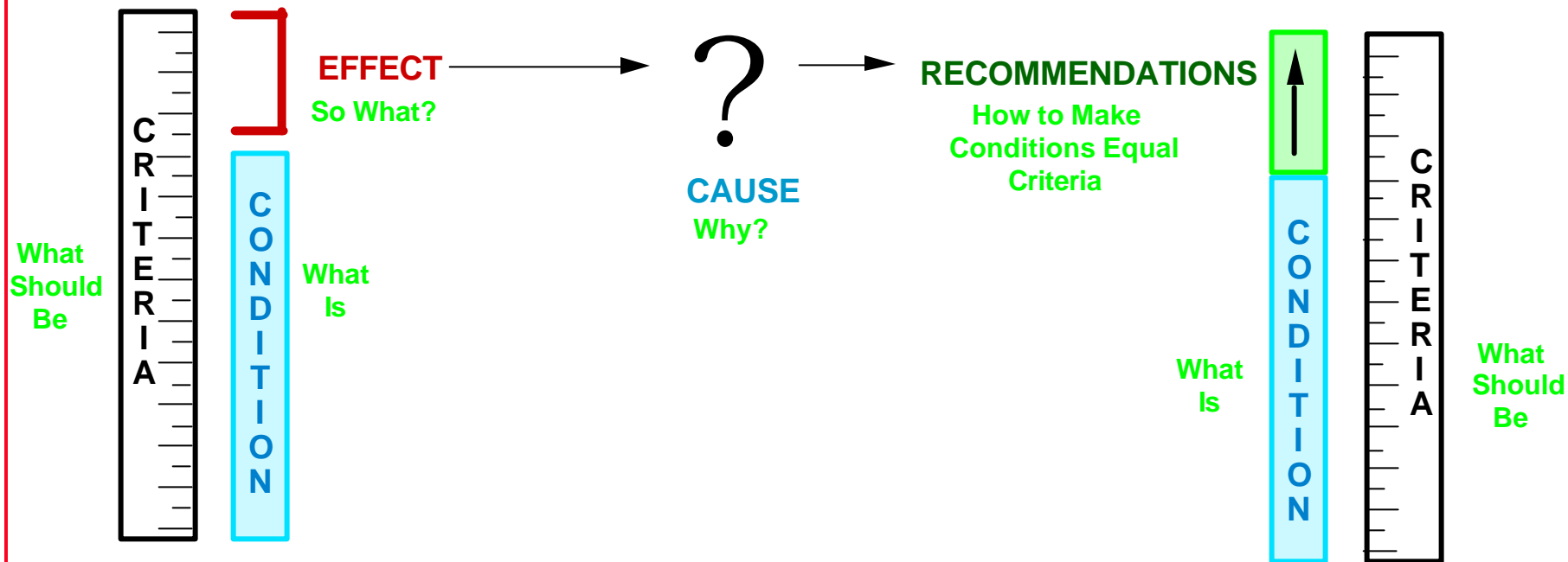
Sterling Associates' Quality Assurance Methodology[®]

- ◆ Quality Assurance framework for reviewing project dimensions



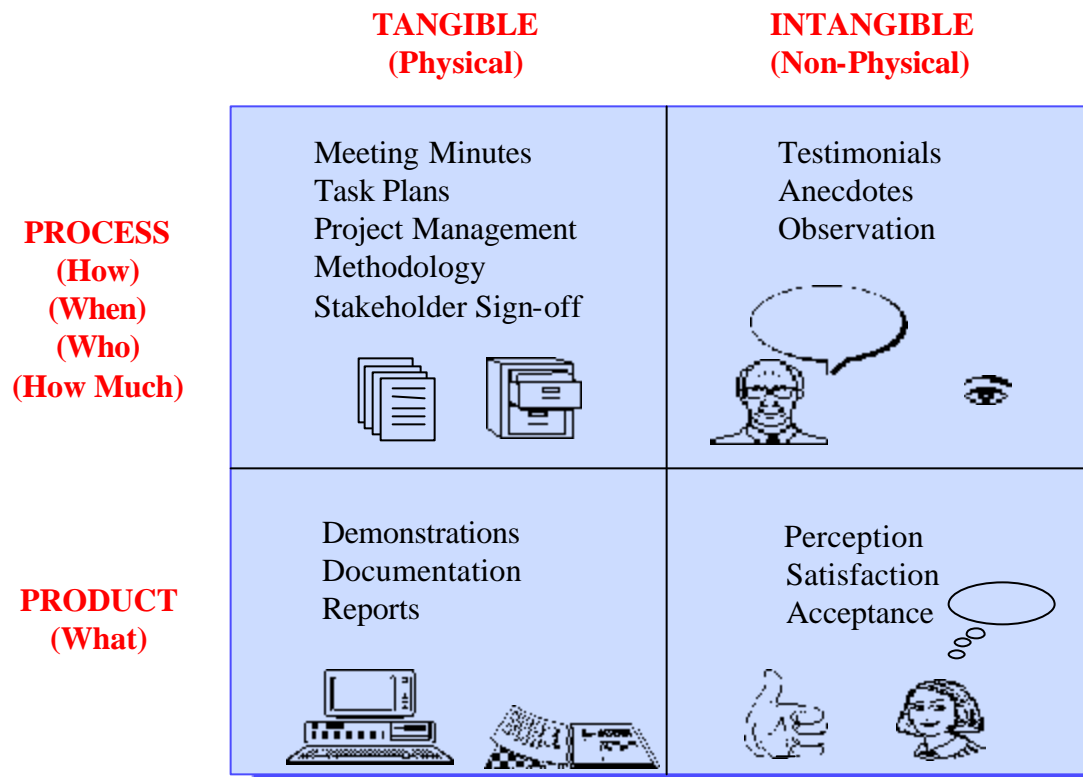
Sterling Associates' Quality Assurance Methodology[®] *(continued)*

- ◆ We measure the condition (*what is*) and the materiality (*so what?*) of departures from the criteria (*what should be*).



Sterling Associates' Quality Assurance Methodology[®] *(continued)*

- ◆ The Quality Assurance evaluation is based on a review of tangible and intangible evidence on products and processes.



Quality Assurance Criteria—*What should be...*

- ◆ The external, organizational and project **environment** must be considered when planning and executing the project. Environmental influences can and do affect project success and should be continuously monitored and managed.
- ◆ Clear **expectations** for *what* will be accomplished should be defined and understood in advance of determining *how* it will be accomplished. Gaps in expectations – between what is expected and what actually occurs – can influence the actual and/or perceived success of the project. Expectation gaps should be identified as early as possible and addressed to increase the likelihood of project success.
- ◆ The technical **approach** (*how*) – the technology, facility, human resource, project organization and project management activities – should be appropriate for the organizational capability, culture and risk tolerance, and should be designed before the project schedule and costs can be accurately determined.
- ◆ The project **schedule** should only be finalized after expectations have been clearly defined and agreed upon, and the technical approach has been carefully developed. If schedule and/or resource constraints exist, they must be factored carefully during expectation definition and technical approach development. The project schedule should include contingency time for unanticipated events which are certain to occur, and should consider the impacts on services, clients and staff.
 - The project schedule should be constructed to illustrate task dependencies, to show changes and schedule effects or delays as early as possible, and to allow for tracking of actual progress against planned.
- ◆ **Resources** should be estimated based upon the expectations, technical approach and schedule. Resource considerations should include people, money, equipment, software, facilities, skills and capacity for change. Contingency should be included to allow for undiscovered or unanticipated costs that may occur.
 - The project budget should be constructed to allow for tracking actual expenditures against planned, and to document decisions that are made in the course of the project and that may affect the budget (a clear audit trail).

Quality Assurance Criteria—*What should be...* (continued)

- ◆ **Communications** should be effective, proactive, as frequent as necessary and cover a broad audience. Effective internal and external project communications is critical – it affects every aspect of a project. We believe the number one reason projects fail is due to ineffective communications.
- ◆ Project **leadership** responsibility resides with the program manager, sponsors and parties responsible for implementation. Effective leadership should be present in all areas.
- ◆ Executive **commitment** should be clearly demonstrated and the project participants should be committed to the interim and final success of the project objectives.
- ◆ The **risk** tolerance of the organization should be understood and considered during the planning and throughout the course of the project. All project participants and stakeholders should be encouraged to identify and communicate possible and/or actual risks. Risk mitigation strategies should be developed and executed as needed.
- ◆ Project **controls** should be commensurate to the risks. *Appropriate* controls should exist for tracking budget and task progress, documenting and resolving issues, and communicating status to sponsors, stakeholders and oversight entities.
- ◆ **Credibility** and **integrity** should be earned by meeting commitments and through honest communications.

Quality Assurance Findings—*What is...*

◆ Environment

- The Washington State Health Care Authority was established in 1988 to administer health care benefit programs for eligible state, local and other government employees, elected officials, and school districts, much of which had been provided by the Department of Personnel. HCA now administers two major health care programs providing health care access to nearly 500,000 Washington residents through the Basic Health Program or the Public Employees Benefits Board. Other HCA programs designed to increase health care access and control costs include the Community Health Services Program, the Washington State Prescription Drug Program, and Washington Wellness Works.
 - The state sponsored Basic Health (BH) program has more than 125,000 enrollees obtaining care through private health plans. Qualified low-income residents enrolled in BH are responsible to pay some portion of the monthly premium based on family size, income, age, and the health plan selected. BH enrollees are individually billed and required to pay in advance of coverage.
 - The Public Employees Benefits Board (PEBB) programs have more than 315,000 enrollees made up of active and retired public employees and their dependents. PEBB provides medical, dental, life and long-term disability through private health insurance plans. There are currently seven private medical plans and two private dental plans in addition to the Uniform Medical Plans.
- To support the various programs, HCA relies on several legacy computer systems built before the agency was established. For example, the PEBB enrollment and insurance accounting and BH premium collection and carrier payment accounting functions operate on the Department of Personnel's (DOP) Human Resources Information Systems Division (HRISD) insurance accounting system. Upon completion of the migration of the DOP Human Resource Management System to a new platform, HCA will be the only remaining user on the IBM mainframe computer and will then assume full responsibility for maintenance of the old system.
 - As is often the case with legacy systems, the existing system lacks the flexibility needed to fully comply with the federal requirements, such as the Health Insurance Portability and Accountability Act (HIPAA), or to provide the flexibility to offer enrollees and their families a wider range of coverage options. The old system restricts HCA's ability to respond efficiently to program changes.

Quality Assurance Findings—*What is...*

◆ Environment (*continued*)

- The HCA suspended a previous attempt to replace the computer system in 2004 after the vendor failed to deliver a system that could meet HCA's business requirements. HCA spent some time reviewing the lessons learned from this project and considering the alternatives available to meet its unmet business needs. None of the project managers or directors from the previous project are directly working on the new BAIAS project.
- The business case for replacing the existing system has remained strong. The agency continued to explore options for replacement by completing a feasibility study in July 2005. The feasibility study concluded that the agency would be well-served to purchase and implement a commercial-off-the-shelf (COTS) product, avoiding significant risks of a custom development effort. Although there may be products that can meet the majority of the business needs of the agency, it is anticipated that the COTS system will need some customization and development of specific system interfaces to support PEBB and BH business needs.
- Based on the results of the feasibility study, the HCA requested and received approval to proceed with the acquisition of a new computer system from the Information Services Board (ISB) in November 2005. Throughout the design, development and implementation process, HCA will follow a new ISB approval process where each phase of the project will be approved independently allowing approval for smaller, discrete pieces of work. This "gated" approach is being used to reduce risks to the state for cost and schedule overruns. The Investment Plan was the most recent component presented to the ISB for approval.

Quality Assurance Findings—*What is...*

◆ Approach

- The agency's current focus is on completing the acquisition phase. Staff are working on two significant tasks required during this phase - development of the request for proposal (RFP) and finalization of the system requirements.
 - HCA has formed work groups to support specific project activities, such as developing the RFP and developing the RFP evaluation process. The HCA has requested expert assistance with the acquisition process from General Administration (GA) and the Department of Information Services (DIS). Although executives in both organizations have indicated they will support the BAIAS project during this process, the specific services to be provided by GA and DIS are still being determined.
 - During the past year, the agency spent time documenting and detailing its current business processes. The documented processes are very detailed and illustrate what the system does today. The agency is now using this material to develop the system requirements geared towards the future system and putting them into a format that will allow a vendor to prepare as accurate a bid as possible. Upon completion of gathering the business, technical, architectural, contractual, and financial requirements into one document that clearly describes what is needed, HCA will incorporate them into the RFP for release to the vendor community.
- Subject matter experts from PEBB, BH, Accounting and Information Services are helping to develop the business and system requirements. The identification and documentation of the requirements is being facilitated internally. Requirements are being categorized into 19 separate functions, such as eligibility, enrollment, self service, accounts payable, accounts receivable, and interfaces with other systems. As the individual category is completed, the subject matter experts review and sign-off on the documented requirements. This sign-off represents their agreement with requirements from the PEBB, BH, Accounting, or IS business perspective. The requirements are then reviewed by the project manager before being forwarded to Steering Committee members for review and comment. Comments from all reviewers will be analyzed by the subject matter experts and revisions to the requirements will be incorporated into the final version.

Quality Assurance Findings—*What is...* (continued)

◆ Approach (continued)

- Defining business and system requirements is a new process for the HCA staff. The staff are most familiar with what is required within the current system or within a current business process, not necessarily what they will need in the future. Determining what is needed based on statute or policy is difficult. The agency wants the requirements to be specific enough to meet business needs without simply duplicating the functionality in the current system.
- As technical requirements are gathered for the new system, the HCA plans to consult with experts from DIS to assure that the requirements reflect the state's recently adopted enterprise architecture standards.
- HCA has instituted an iterative, detailed process that should produce the requirements necessary for inclusion in the RFP. Planned timelines for the development of the requirements have been extended as the group needs more time to complete a quality product. Given the importance of having well defined requirements for the success of the project, the work group should continue to work toward a high quality product.
- The project manager and technical lead from Information Services have been meeting with other state agencies and higher education institutions to discuss requirements for system interfaces. These meetings are meant to promote communication between the organizations from the beginning of the BAIAS project and identify new requirements that may not be met by the current interfaces. There are currently three dozen system interfaces. While the new system will have interfaces with individual health care vendors and other service providers, the project staff are not scheduling meetings with these organizations at this time.

Quality Assurance Findings—*What is...* (continued)

◆ Approach (continued)

- While a COTS solution may provide HCA with the best alternative for replacing their current systems, most COTS products will require some customization to meet an agency's unique business requirements. To limit the amount of custom development needed, the project sponsors plan to tightly control customizations so that only those customizations required by specific criteria will be allowed.
 - Although this is a prudent approach to take and it will hopefully result in fewer customizations, it will likely require staff to accept processes supported by the software rather than assuming the system will be changed to accommodate current processes. This will require ongoing cultural change management support.
- At this time, HCA is planning to operate and maintain the new system after delivery from the vendor. Information Services staff will be participating in the design, development, testing and implementation of the new system in order to become familiar with the new technology as well as the system functionality.
 - For some COTS products, state agencies have had difficulty finding qualified operations staff to support ongoing maintenance activities. Until a vendor is chosen, it will be impossible to assess this risk fully, but it will need to be monitored on an ongoing basis.

Quality Assurance Findings—*What is...* (continued)

◆ Expectations

- Because previous efforts did not meet expectations for a new system, the agency is working very hard to identify, manage and meet expectations for this project. Expectations for HCA to implement a functional system within a defined timeline and cost are high.
 - The agency is using care in setting schedule and budget estimates and in being upfront that their confidence in these estimates is low at this stage of the project. For now it is impossible to know for sure what vendors will cost their systems at or how long it may take them to implement a new product. Estimates will become more accurate as the project moves along its development lifecycle.
- The Governor's Office and the ISB have set a number of expectations regarding the BAIAS project.
 - The Director of the Department of Information Services has been named as a co-sponsor of this project and as such will be equally accountable for its success.
 - The ISB has instituted a gated approach to better manage how and when resources are approved for the project. The gated approach will require HCA to obtain approval to proceed to the next activity or gate after successfully completing a specific activity. As the project develops, more detailed plans and schedules will be available to describe the approach and assumptions being used.

Quality Assurance Findings—*What is...* (continued)

◆ Schedule

- The project is working to a high-level schedule for the acquisition phase. The project had hoped to release the RFP in February 2006 but because of delays in hiring staff, identifying resources and ensuring the requirements are accurate and complete, this schedule has been extended. Project management is working to define a schedule that allows them to develop a quality product so that ensuing phases will be built upon a solid foundation.
- A clearly defined schedule helps ensure that expectations are defined, the approach is reasonable, and the responsible party has agreed to the estimates and timeline. Generally, a defined schedule will mitigate risks of further schedule changes or delays and the resulting disappointment and/or loss of project credibility.
 - A good project plan provides a comprehensive “roadmap” for successful implementation of the system. The plan should include enough detail regarding tasks and activities to provide a useful tool for participants, managers and sponsors:
 - Participants responsible for project activities know what they are accountable for and when, and the activity/task interdependencies and impacts on others.
 - Project managers understand who is doing what and when, and can monitor whether it’s being done on time and with the intended results. They can report actual status against what is expected and spot delays or risks that might impede being successful.
 - Project sponsors and executives feel comfortable that major tasks, dependencies and resources have been considered and provided for by the planning team. They can monitor progress through status reports and know when important decisions are needed or when dependencies create resource issues that must be addressed.
- Although a high level schedule was included in the Investment Plan, a detailed project plan defining HCA’s responsibilities has not been defined. As a more detailed project plan is completed, more accurate schedule and resources estimates will become apparent. After the vendor is selected and able to supplement the initial plan with their expected contributions, an integrated schedule can be established to measure the project’s progress against.

➤ *See Recommendation #1*

Quality Assurance Findings—*What is...* (continued)

◆ Leadership

- Leadership for the project has been defined by the Governor's Office to include the executive level of both the HCA and DIS. Leadership from the agency's Administrator, Deputy Administrator and the Assistant Administrators is actively engaged in project related activities.
- A Steering Committee has been formed to provide broad-based leadership for the project. The Steering Committee meets weekly to review project status and issues needing their attention. The Deputy Administrator, the PEBB Assistant Administrator, the BH Assistant Administrator, the Budget and Finance Manager, the Information Services Director, the Communications Director, the DIS Liaison, and Quality Assurance consultants participate along with the project manager.
- Additionally, an Advisory Committee meets monthly with the Business Sponsor and Project Manager to review project status and provide comment and external perspectives on relevant issues. OFM, DOP and DRS have representatives on the Committee along with the University of Washington. Other representatives from DSHS and the higher education community are being added to the group in order to broaden their participation.
- This project is in its infancy and as a result there are a number of questions regarding roles and responsibilities. Project leaders are committed to getting the right people with the right skills involved in decision-making or an advisory capacity. Additional work to clarify these roles and responsibilities is needed.
 - *See Recommendation #2*

Quality Assurance Findings—*What is...* (continued)

◆ Resources

- Determining the appropriate number of staff resources needed and the right people has been a challenge. HCA has spent the last few months establishing a strong, diverse team with many perspectives and expertise that will be able to lead them in this effort.
 - At the end of December, the HCA acquired a contracted full-time project manager to begin work on acquisition of the new system and basic organization of the project. Since then, the project has begun deliberately planning and scheduling its resources.
 - The agency had hoped to rely primarily on the project manager to plan and complete project tasks until a vendor is selected to develop the new system later this year. However, it has become clear that the work required to develop and manage the RFP process and to finalize the requirements is much larger than anticipated. The agency has determined that additional resources will be required as quickly as possible. HCA is currently looking for resources to support specific business, technical, legal, procurement, contracting and communication activities.
 - Positions assigned full time to work for the project manager as a project analyst and support person are being created and will add much needed capacity to the project management resources. Until these additional resources are available to support project activities, progress on project organization, planning and controls will be minimal.
 - In addition to project resources, the agency believes it is critical to include a broad array of participants from across HCA and from outside the organization to get and maintain appropriate buy-in and support for the new system. HCA is a fairly small agency and lacks experience with systems development projects of this size and complexity. Supplementing staff resources with identified expertise from other entities should provide skills required to implement the cross-agency system.
 - Until there is an integrated project plan outlining tasks for all project team members, it is not clear that the available resources are adequate. There will be little insight into this issue until a project plan is developed and resources identified.

Quality Assurance Findings—*What is...* (continued)

◆ Resources

- There is a belief within HCA that additional resources may be needed from the Legislature once a vendor is selected and the cost of implementing a new system is better defined. The HCA's current project appropriation is \$7,130,000. HCA will not be able to provide more accurate budget estimates until a contract is signed with a vendor and an overall project budget is developed that reflects the approach and assumptions.
 - Resource estimates for Level 3 projects have not been accurately or adequately estimated until much further into the project life-cycle. It is likely that the resource estimates will undergo revision many times over the course of the project.
 - The HCA should remain cautious about providing updated staff or budget estimates until the detailed project plan is completed that reflects all vendor and state responsibilities and project tasks.
 - *See Recommendation #3*

Quality Assurance Findings—*What is...* (continued)

◆ Controls

- A project management structure and planned controls have been summarized in the Investment Plan that should provide adequate controls for a Level 3 project upon implementation of all of the individual pieces. As additional resources are added to the project, defining and implementing effective project controls should be a high priority for the project manager. Effective project controls include the following:
 - Project plans that are sufficiently detailed, include all tasks, decision points, and dependencies, for all elements of the project;
 - Utilizing the project plan to manage activities and report on progress is equally important to having a plan;
 - Relevant and useful status tracking and reporting customized for different audiences;
 - An issue management process (identification, assignment, monitoring and disposition);
 - Effective and efficient communications with executives, project participants, end-users, stakeholders, and oversight;
 - Budget and resource estimates, tracking and reporting; and
 - A risk management process (identification, monitoring, triggering events and mitigation).

Quality Assurance Findings—*What is...* (continued)

◆ Communication

- A communication plan was developed to complement the Investment Plan. As the project begins to plan its activities in more detail, the communication plan will need to be revised. Specific roles, responsibilities and activities need to be described within the plan and assigned to easily identified positions for completion. Once the plan is updated, it should be reviewed with the Steering Committee to obtain feedback and agreement. Because of the breadth and complexity of the new system within state government, monitoring the results of the communication plan should be a regular part of the oversight provided by the Steering Committee.
- The Steering Committee plans to initiate an assessment tool with its partners to obtain regular feedback on the project's progress from an external perspective. How this is accomplished should be detailed in the revised Communication Plan.

➤ *See Recommendation #3*

◆ Credibility and Integrity

- As a result of the previous project's outcome, HCA's credibility is fragile. HCA will need to openly share the good news and the bad news about the status of their project and their challenges. The project team is attempting to ensure open lines of communication and support with key stakeholders, and a project of this size requires constant attention and support if it is going to be successful. Project credibility and integrity will increase incrementally as stakeholders see that HCA has accomplished what it said it was going to do.

◆ Commitment

- A high level of commitment is apparent from the steering committee, project manager and project participants. Their active participation in project activities and interest in solving problems and making progress occurs repeatedly.

Quality Assurance Findings—*What is...* (continued)

◆ General Risks and Barriers to Success

- Staff within HCA may not have the skills necessary to perform the work needed.

Mitigation Strategies

- Determine what skills are necessary for various activities and tasks and assure that individuals are identified who can accomplish the work.
- Utilize staff or contractors but don't compromise on the skills needed to fill each role.
- HCA staff with specific business and system expertise may not be available full-time to work on project activities.

Mitigation Strategies

- Delay project activities or re-schedule until the staff are available to work on them.
- Reassign work to unaffected staff or backfill positions to ensure that critical business knowledge is available.
- The planned absence of the project manager may adversely impact the organization and progress within the project.

Mitigation Strategies

- Identify and share the transition plan with all of the individuals impacted by the absence.
- Monitor the transition during the week-long overlap between project managers to determine what adjustments need to be made.
- Maintain contact as planned with the current project manager during the absence.

Quality Assurance Findings—*What is...* (continued)

◆ General Risks and Barriers to Success (continued)

- The agency lacks staff who have experience managing a project of this size and complexity with the constraints of a Level 3 project.

Mitigation Strategies

- Project controls should be developed and implemented with this in mind.
- Reviewing the use and effectiveness of project controls should become a recurring topic in project management and Steering Committee discussions.
- Lessons learned from other projects should be carefully considered and appropriately applied when applicable.

- The lack of an overall project plan raises the risk that estimated resources and timelines are not accurate or properly managed.

Mitigation Strategies

- Develop the initial work plan to include as many tasks as possible and update progress on a frequent basis.
- Include resource estimates in the work plan and develop methods for early identification and communication of schedule or resource risks.
- Encourage open communication about project risks and alternatives available to mitigate the risks.

- A single product may not be able to meet the business needs of both PEBB and BH.

Mitigation Strategies

- Explore products available in the marketplace for possible alternatives.
- Assure a wide distribution of the RFP to potential vendors and industry representatives.
- Consider the possible implications on the agency of having a solution with more than one major product.

Quality Assurance Findings—*What is...* (continued)

◆ General Risks and Barriers to Success (continued)

- Based on similar enterprise projects, gaining agreement on project strategies and approaches with external organizations may prove challenging.

Mitigation Strategies

- Establish communications with external organizations as early as possible.
- Provide regular updates about project progress, strategies and approaches.
- Engage the external organizations in a detailed discussion about what is expected of them and when it is expected.

- Staff representing the project may be hesitant to deliver bad news or are overly optimistic about the status of the work, the expertise and capability of the staff, or the level of resources needed to support the project activities.

Mitigation Strategies

- Project controls should be monitored carefully to accurately analyze project status.
- Staff will need to be assured that providing accurate information, good or bad, will be met openly.

Project Recommendations—*Bringing conditions up to criteria*

Recommendation #1: *Develop a project plan reflecting the assumptions built into the project and the resources available, include major tasks, milestones, decision points, dependencies, schedule and the critical path. Ensure collaboration among all participants to identify dependencies and a reasonable schedule for completion.*

Benefits:

- Provides a comprehensive “roadmap” for successful implementation of the system.
- Ensures all parties involved in the project are aware of the assumptions, responsibilities, inter-dependencies, resources and timelines required for implementation.
- Enables early detection of project slippage and impacts on implementation.
- Provides a tool to assess and monitor the project schedule and required resources.
- Provides a baseline to report project status.

Recommendation #2: *Clarify roles and responsibilities for project participants and decision-makers that reflects the organization of the project.*

Benefits:

- Provides an easy reference for participants to know what is expected of them.
- Identifies responsibilities within the project for activities and tasks.
- Avoids conflict between project participants and duplication of effort.
- Reduces the risk of overlooking needed activities.

Project Recommendations—Bringing conditions up to criteria

Recommendation #3: *Revise the communication plan and include identification of specific stakeholder needs, required information, responsibilities for completion, and timing of communications.*

Benefits:

- Avoids having stakeholders with misconceptions or no information about the project's approach and status.
- Provides staff with a clear understanding of who is responsible for what elements of the Communication Plan.
- Articulates the objectives and status of the project to interested stakeholders.
- Provides a mechanism to manage user expectations.